

# Public Employees Benefits Agency Revolving Fund



## Annual Report for 2013-2014



## Table of Contents

Letters of Transmittal .....	2
Introduction .....	3
Administration.....	3
Financing.....	3
Administration Costs.....	3
Management's Report .....	4
Financial Statements	
Independent Auditor's Report.....	6
Statement of Financial Position.....	7
Statement of Operations .....	8
Statement of Changes in Net Debt.....	9
Statement of Changes in Accumulated Net Expenditure.....	10
Notes to the Financial Statements .....	11

## Letters of Transmittal



Her Honour, The Honourable Vaughn Solomon Schofield  
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Public Employees Benefits Agency Revolving Fund for the fiscal year ending March 31, 2014.

A handwritten signature in dark ink, appearing to read 'Ken Krawetz'.

Ken Krawetz  
Minister of Finance

The Honourable Ken Krawetz  
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour of submitting the Annual Report of the Public Employees Benefits Agency Revolving Fund for the fiscal year ending March 31, 2014.

A handwritten signature in dark ink, appearing to read 'Brian Smith'.

Brian Smith  
Assistant Deputy Minister  
Public Employees Benefits Agency

# Public Employees Benefits Agency Revolving Fund

## Introduction

The Public Employees Benefits Agency Revolving Fund was established effective April 1, 1988. The authority for the Fund is contained in Section 65 of *The Financial Administration Act, 1993*.

The intent of the Fund is to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the following plans and programs:

### Pension Funds

Anti-Tuberculosis League Employees Superannuation Plan  
Judges of the Provincial Court Superannuation Plan  
Liquor Board Superannuation Plan  
Members of the Legislative Assembly Benefits  
Municipal Employees' Pension Plan  
Pension Plan for the Employees of the  
Saskatchewan Workers' Compensation Board  
Public Employees Pension Plan  
Public Service Superannuation Plan  
Saskatchewan Pension Annuity Fund  
Saskatchewan Transportation Company Employees  
Superannuation Plan  
The Power Corporation Superannuation Plan

### Employee Benefit Funds

Additional Pension Contribution Program  
Extended Health Care Plan  
Extended Health Care Plan for Certain Other Employees  
Extended Health Care Plan for Certain Other  
Retired Employees  
Extended Health Care Plan for Retired Employees  
Government of Saskatchewan and Canadian  
Union of Public Employees Local No. 600-3  
and Local No. 600-5 Benefit Plans' Surplus Fund  
Government of Saskatchewan and  
Saskatchewan Government and General  
Employees' Union Benefit Plans' Surplus Fund  
Government of Saskatchewan Scheduled Aircraft Plan  
Government of Saskatchewan Unscheduled Aircraft Plan  
Public Employees Deferred Salary Leave Plan  
Public Employees Dental Plan

Public Employees Disability Income Plan  
Public Employees Group Life Insurance Plan  
Saskatchewan Government Insurance Service  
Recognition Plan  
Saskatchewan Water Corporation Retirement  
Allowance Plan  
SaskEnergy Retiring Allowance Plan  
SaskPower Designated Employee Benefit Plan  
SaskPower Millennium Plan  
SaskPower Severance Pay Credits Plan  
SaskPower Supplementary Superannuation Plan  
SaskTel Retirement Gratuity Plan  
Water Security Agency of Saskatchewan Retirement  
Allowance Plan

## Administration

The Fund is managed by the Public Employees Benefits Agency, Ministry of Finance.

The costs incurred in the administration of the various plans and programs by PEBA are billed on a monthly basis.

Costs relating to a particular plan or program are allocated to that plan. All other costs are allocated to the plans and programs using a formula primarily based on time required to administer these plans and programs.

## Financing

Subsection 65(12) of *The Financial Administration Act, 1993*, provides for the maximum accumulated net expenditure to be set by order of the Lieutenant Governor in Council. The maximum amount for accumulated net expenditure has been set at \$5,800,000.

## Administration Costs

2014	\$15,218,466
2013	\$14,944,741
2012	\$15,088,549
2011	\$14,031,085

All costs are paid by the various plans and programs. Revenue and expenses will therefore equal, leaving the excess of revenues over expenditures a "nil" amount annually.

## Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Benefits Agency Revolving Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian public sector accounting standards applicable for governments.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Public Employees Benefits Agency Revolving Fund has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian public sector accounting standards applicable for governments.

We enclose the financial statements of the Public Employees Benefits Agency Revolving Fund for the year ended March 31, 2014, and the Provincial Auditor's report on these financial statements.

Regina, Saskatchewan  
July 10, 2014



Brian Smith  
Assistant Deputy Minister  
Public Employees Benefits Agency

# **Public Employees Benefits Agency Revolving Fund**

## **Financial Statements**

**Year Ended March 31, 2014**



## Independent Auditor's Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Public Employees Benefits Agency Revolving Fund, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, changes in net debt, and changes in accumulated net expenditure for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Public Employees Benefits Agency Revolving Fund as at March 31, 2014 and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson, FCA  
Acting Provincial Auditor

Regina, Saskatchewan  
July 10, 2014



**Public Employees Benefits Agency Revolving Fund  
Statement of Financial Position**

**Statement 1**

**As At March 31**

	<u>2014</u>	<u>2013</u>
<b>FINANCIAL ASSETS</b>		
Cash	\$ 400	\$ 400
Accounts receivable	<u>2,151,547</u>	<u>2,525,861</u>
<b>Total Financial Assets</b>	<u>2,151,947</u>	<u>2,526,261</u>
 <b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,360,160	1,502,210
Accumulated net expenditure (Statement 4; Note 2b, Note 3)	<u>3,568,428</u>	<u>4,254,339</u>
<b>Total Liabilities</b>	<u>4,928,588</u>	<u>5,756,549</u>
<b>Net Debt (Statement 3)</b>	<u>2,776,641</u>	<u>3,230,288</u>
 <b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	353,490	310,518
Tangible capital assets (Note 4)	<u>2,423,151</u>	<u>2,919,770</u>
<b>Total Non-financial Assets</b>	<u>2,776,641</u>	<u>3,230,288</u>
<b>Accumulated Surplus</b>	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes to the financial statements)

**Public Employees Benefits Agency Revolving Fund  
Statement of Operations**

**Statement 2**

**For The Year Ended March 31**

	<b>2014</b>		<b>2013</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>REVENUE</b>			
Administration fees	\$17,830,199	\$15,218,466	\$14,944,741
<b>EXPENSES:</b>			
Salaries and benefits	8,472,487	7,899,953	7,546,101
Contractual services	5,406,377	4,089,639	4,350,763
Amortization	1,069,089	815,999	982,247
Rent	1,084,539	1,160,177	1,052,081
Postage and communications	467,049	432,934	390,692
Supplies	316,504	382,716	172,270
Travel	653,864	271,026	276,668
Advertising/printing	287,800	129,699	126,161
Business expenses	54,690	18,936	38,976
Repairs and maintenance	17,800	17,387	8,782
Total expenses	17,830,199	15,218,466	14,944,741
Surplus	\$ -	\$ -	\$ -

(See accompanying notes to the financial statements)

**Public Employees Benefits Agency Revolving Fund**  
**Statement of Changes in Net Debt**

**Statement 3**

**For The Year Ended March 31**

	<u>2014</u>		<u>2013</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Net debt, beginning of year	\$ 3,230,288	\$ 3,230,288	\$ 3,848,632
Surplus	-	-	-
Acquisition of tangible capital assets (Note 4)	684,600	319,380	333,900
Amortization of tangible capital assets	(1,069,089)	(815,999)	(982,247)
Net increase in prepaid expense	-	42,972	30,003
	<u>(384,489)</u>	<u>(453,647)</u>	<u>(618,344)</u>
Net debt, end of year (Statement 1)	<u>\$ 2,845,799</u>	<u>\$ 2,776,641</u>	<u>\$ 3,230,288</u>

(See accompanying notes to the financial statements)

**Public Employees Benefits Agency Revolving Fund**  
**Statement of Changes in Accumulated Net Expenditure**

**Statement 4**

**For The Year Ended March 31**

	<u>2014</u>	<u>2013</u>
Financing provided by (used in) operating activities:		
Surplus	\$ -	\$ -
Amortization of tangible capital assets	815,999	982,247
Decrease in accounts receivable	374,314	186,817
Increase/(decrease) in accounts payable	(142,050)	59,496
Increase in prepaid expenses	<u>(42,972)</u>	<u>(30,003)</u>
Net financing provided by (used in) operating activities	<u>1,005,291</u>	<u>1,198,557</u>
Financing used in investing activities:		
Purchase of tangible capital assets (Note 4)	<u>(319,380)</u>	<u>(333,900)</u>
Net financing used in investing activities	<u>(319,380)</u>	<u>(333,900)</u>
Net decrease/(increase) in financing requirements	685,911	864,657
Accumulated net expenditure, beginning of year	<u>(4,254,339)</u>	<u>(5,118,996)</u>
Accumulated net expenditure, end of year (Statement 1)	<u><u>\$(3,568,428)</u></u>	<u><u>\$(4,254,339)</u></u>

(See accompanying notes to the financial statements)

# Public Employees Benefits Agency Revolving Fund

## Notes to the Financial Statements

March 31, 2014

### 1. Authority and Definition of Accounting Entity

The Public Employees Benefits Agency Revolving Fund (Revolving Fund) was established under Section 65 of *The Financial Administration Act, 1993* to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the various pension plans and benefit programs administered by PEBA in accordance with the policy described in Note 2(c).

### 2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Revolving Fund is classified as an other government organization. These financial statements are prepared in accordance with Canadian public sector accounting standards applicable for governments. These financial statements do not present a Statement of Cash Flows because this information is readily apparent from the Statement of Changes in Accumulated Net Expenditure. The following policies are considered significant:

#### a) Net Financing Requirements

The net financing requirement is the cash flow from (to) the General Revenue Fund (GRF). It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flow from operations.

#### b) Accumulated Net Expenditure (Recovery)

Expenditures of the Revolving Fund are made directly out of the GRF and receipts are deposited directly into the GRF. The excess of the accumulated net expenditures over accumulated receipts is the accumulated net expenditure balance or outstanding borrowing from the GRF.

The accumulated net expenditure (recovery) of the Revolving Fund includes the aggregate of net financing requirements for all fiscal years resulting from the Revolving Fund's net capital acquisitions, changes in working capital and net cash flow from operations.

#### c) Revenue – Administration Fees

The costs incurred by PEBA in the administration of the various pension plans and benefit programs are billed on a monthly basis to these plans and programs, as follows:

- i) Costs directly relating to a particular pension plan or benefit program are charged to that plan or program.
- ii) All other costs are charged to the various pension plans and benefit programs using a formula primarily based on employees' time required to administer these plans and programs.

d) **Tangible Capital Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is recorded commencing the year in which the assets are placed in service, on a straight-line basis, over their estimated useful lives as follows:

Computer hardware and software	5 years
System development and furniture	10 years
Leasehold improvements	over the term of the lease

Work in progress assets include system development costs incurred for systems not yet placed into service.

e) **Use of Estimates**

These statements are prepared in accordance with Canadian public sector accounting standards applicable for governments. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenue and expenses during the period. The amortization of tangible capital assets is subject to such estimates and assumptions. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

3. **Authorized Financing**

Subsection 65(12) of *The Financial Administration Act, 1993* provides for the maximum accumulated net expenditure to be set by order of the Lieutenant Governor in Council. The maximum amount has been set at \$5,800,000 by Order in Council 116/2009.

#### 4. Tangible Capital Assets

	2014					2013	
	Computer Hardware	Computer Software	Furniture	System Development	Leaseholds	Work in Progress	Total
Opening Net book value of tangible capital assets	\$ 234,615	\$ 64,033	\$ 42,334	\$1,841,725	\$ 581,656	\$ 155,407	\$ 3,568,117
Opening costs of tangible capital assets	1,108,689	605,899	391,548	6,795,956	1,703,796	155,407	10,427,395
Additions during year	57,020	-	-	300,516	-	(38,156)	333,900
Disposals during year	-	-	-	-	-	-	-
Closing costs of tangible capital assets	1,165,709	605,899	391,548	7,096,472	1,703,796	117,251	10,761,295
Opening accumulated amortization	874,074	541,866	349,214	4,954,231	1,122,140	-	6,859,278
Annual amortization	98,316	31,205	14,344	587,237	84,897	-	982,247
Disposals during year	-	-	-	-	-	-	-
Closing accumulated amortization	972,390	573,071	363,558	5,541,468	1,207,037	-	7,841,525
Net book value of tangible capital assets	\$ 193,319	\$ 32,828	\$ 27,990	\$1,555,004	\$ 496,759	\$ 117,251	\$ 2,423,151
							\$ 2,919,770

## 5. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards, and commissions related to the Revolving Fund by virtue of common control by the Government of Saskatchewan. These financial statements also include transactions with non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan collectively referred to as "related parties".

Expenses include \$1,521,983 (2013 - \$1,370,529) that the Ministry of Finance incurred on PEBA's behalf for rent and certain administrative services provided to the Revolving Fund. The Revolving Fund bills the pension plans and benefit programs administered by PEBA in accordance with subsection 64(7) of *The Financial Administration Act, 1993*, to recover those expenses. Amounts received by the Revolving Fund relating to these costs are paid to the General Revenue Fund in accordance with subsection 65(11) of *The Financial Administration Act, 1993*.

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including financing and certain administrative costs. These costs have been absorbed by various ministerial appropriations and therefore, no provision for such costs is reflected in these financial statements.

Routine operating transactions with other related parties are recorded at agreed upon rates and are settled on agreed upon terms.

The Revolving Fund has lease commitments with related parties requiring minimum lease payments of:

2014	\$ 1,165,407
2015	\$ 1,165,407

The following table summarizes the Revolving Fund's related party transactions.

	<u>2014</u>	<u>2013</u>
Administration fees	\$15,218,466	\$14,944,741
Expenses:		
Salaries and benefits	1,183,059	1,091,983
Contractual services	85,588	45,398
Rent	1,133,263	1,017,222
Postage and communications	404,481	416,919
Supplies	705	592
Travel	6,904	4,216
Repairs and maintenance	13,741	6,585
Total Related Parties Expenses	<u>\$ 2,827,741</u>	<u>\$ 2,582,915</u>

At year end, the following amounts were due to/from related parties as a result of the transactions referred to above:

	<u>2014</u>	<u>2013</u>
Accounts receivable	\$2,132,890	\$2,525,861
Accounts payable and accrued liabilities	220,526	270,345



**6. Fair Value of Financial Assets and Financial Liabilities**

The fair value of financial assets and financial liabilities approximates their carrying value due to their immediate or short-term nature.

**7. Budget**

The various pension plan and benefit program boards approved their component of the annual budget. A copy of PEBA's annual budget was also submitted to Treasury Board.

**8. Comparative Figures**

Certain comparative figures have been reclassified to conform to the current year's presentation.